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Supreme Court, U.S.
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No. 96-119

In The

Supreme Court of the United States

October Term, 1996

PAUL ZUILL and LOU ROSSI,

Petitioners,

v.

JOHN SHANAHAN; JOHN HERLIHY; GATEWAY EDUCATIONAL PRODUCTS, LTD.; HMS PUBLISHING CO.; SHANAHAN PUBLISHING COMPANY; HOOKED ON PHONICS; HOOKED ON MATH; THE READING REVOLUTION; DOES 1 through 100, inclusive,

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Does 17 U.S.C. § 507, which requires all civil actions brought under the Copyright Act to be filed within three years after the claim accrued, preclude an action for co-ownership of a copyright filed more than four years after plaintiffs had notice that defendant asserted sole ownership?

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BRIEF IN OPPOSITION

Respondent Gateway Educational Products, Ltd. ("Gateway") respectively requests that this Court deny the Petition for Writ of Certiorari that seeks review of the Ninth Circuit's opinion below. That opinion, as amended, is reported at 80 F.3d 1366 (9th Cir. 1996) and is reprinted in the Appendix of the Petition for Certiorari.

STATUTES INVOLVED

17 U.S.C. § 507(b), provides: "No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued." 17 U.S.C. § 507(b) (1996).

STATEMENT OF THE CASE

Petitioners Paul Zuill and Lou Rossi ("Petitioners") brought an action for declaratory relief in federal district court in 1991, asking the court to declare them joint authors and co-owners of the copyright in the educational product called "Hooked on Phonics." The product had been developed by co-Respondent John Shanahan in the early 1980s. Petitioners worked with Shanahan, under Shanahan's direction, to arrange the music and record the tapes for the product that, after extensive reworking by Shanahan, became "Hooked on Phonics." In April of 1986, and again in January of 1987, Shanahan presented Petitioners with a document that stated that a company

controlled by Shanahan was the sole owner and copyright holder of the product. Gateway is that company's successor in interest.

After Petitioners had completed their work on the product in early 1987, Shanahan and Gateway's predecessor continued to develop, rework, rerecord, and market "Hooked on Phonics." During this time, Petitioners neither asserted co-ownership of the copyright in "Hooked on Phonics," nor objected to the copyright notices on the specimens of the products given to them, which identified only Gateway and/or its predecessor as the copyright holder. After years of work and huge expenditures in advertising by Gateway, "Hooked on Phonics" became very successful. It was not until the product attained its huge commercial success that Petitioners first raised the issue of their supposed co-ownership by reason of their alleged joint authorship of the original product many years before.

Petitioners filed the instant action in October of 1991, more than four years after they were informed that Gateway's predecessor asserted sole ownership of the copyright in "Hooked on Phonics." The District Court granted Gateway's motion for summary judgment on the grounds that their claim was barred by the three-year statute of limitations governing all claims brought under the Copyright Act. The Ninth Circuit Court of Appeals, in *Zuill v. Shanahan*, 80 F.3d 1366 (9th Cir. 1996), affirmed the district court, holding that Gateway's "plain and express repudiation in 1986 and 1987 of any claim to co-ownership caused Mr. Zuill's and Mr. Rossi's action, if any, to accrue, so the district court properly found the action to be barred by the statute of limitations." *Id.* at 1371.

SUMMARY OF ARGUMENT

Petitioners' primary argument in support of their writ petition is that the Ninth Circuit's decision in this case is in conflict with the Second Circuit's decision in *Stone v. Williams*, 970 F.2d 1043 (2d Cir. 1992), *cert. denied*, ___ U.S. ___, 113 S. Ct. 2331, 124 L. Ed. 2d 243 (1993). Petitioners assert that under *Stone*, § 507 does not bar an action for copyright co-ownership brought more than three years after co-ownership is repudiated. Instead, Petitioners argue, "only the remedies are limited to three years from the date that suit is filed." Even if Petitioners were correct that the Ninth Circuit's decision conflicted with *Stone* – and they are not correct – the Second Circuit recently limited the holding in *Stone* to its facts. The Second Circuit, in *Merchant v. Levy*, 92 F.3d 51 (2d Cir. 1996), agreed with the Ninth Circuit's decision in this case and held "that plaintiffs claiming to be co-authors are time-barred three years after accrual of their claim from seeking a declaration of copyright co-ownership rights and any remedies that would flow from such a declaration." *Id.* at 56 (citing *Zuill v. Shanahan*, 80 F.3d at 1369). Thus, contrary to Petitioners' assertion, there is no conflict between the Circuits.

Nor are there important federal issues to be addressed by the Court in this case. The Ninth Circuit in this case, and the Second Circuit in *Merchant*, applied the plain language of § 507 to find that *any* action brought under the Copyright Act must be brought within three years after the claim accrued, and that a claim for co-ownership accrued when that co-ownership was repudiated. Since a claim of co-ownership requires a determination of whether the purported co-owners' contribution

was copyrightable, *Ashton-Tate Corp. v. Ross*, 916 F.2d 516, 520-21 (9th Cir. 1990), and whether the purported co-owners intended to be joint authors of a joint work, *Erickson v. Trinity Theatre, Inc.*, 13 F.3d 1061, 1068-71 (7th Cir. 1994); *Childress v. Taylor*, 945 F.2d 500, 505-09 (2d Cir. 1991), an action seeking a declaration of co-ownership is clearly an action brought under the Copyright Act and thus is governed by the three-year statute of limitation. Therefore, the Ninth and Second Circuits' interpretation of § 507 is in accord with the plain language of the statute.

But perhaps more importantly, the Ninth and Second Circuits' interpretation is also in accord with the policy and goals of copyright law and statutes of limitation generally. That interpretation provides a measure of certainty regarding both the ownership of copyrights and their duration by requiring putative co-owners to resolve disputes regarding their alleged rights within a reasonable time after their purported ownership is repudiated. In this way, copyright owners may exploit these copyrights with certainty that repudiated co-owners are not waiting for the owner's hard work to pay off before asserting claims of co-ownership.

REASONS FOR DENYING REVIEW

I. The Ninth And Second Circuits Are In Accord That A Claim For A Declaration Of Co-Ownership Of A Copyright Is Barred Unless It Is Filed Within Three Years After The Claim Accrued.

In asking this Court to review the decision of the Ninth Circuit, Petitioners describe a parade of horribles that flow from the purported conflict between the decision in this case and the Second Circuit's decision in *Stone*. Petitioners' argument was inaccurate at the time they filed the petition, and it is even more inaccurate today.

First, *Stone* is not – and never was – in conflict with the instant case. As the Ninth Circuit suggested in its opinion, *Stone* is distinguishable because of its "highly idiosyncratic facts," and does not apply where, as here, co-ownership purportedly arises from alleged joint authorship rather than from inheritance. *Zuill*, 80 F.3d at 1370.

But in *Merchant*, the Second Circuit clears up any doubt that the holding in *Stone* was a narrow one. Indeed, the *Merchant* court expressly limited the holding in *Stone*:

> *Stone* stands for the narrow proposition that, in certain situations, the statute of limitations will not be applied to defeat the copyright co-ownership claim of an author's relative accruing more than three years before the lawsuit where uncertainty surrounded the relative's status as a member of the author's family. Instead, if the relative prevails on the merits and if the equities permit, the Court will grant the relative a declaration of copyright co-ownership, but permit

> damages only for the period starting three years prior to the suit.

Merchant, 92 F.3d at 56. The court went on to hold that, since a co-author knows that he or she jointly created a work from the moment of its creation, and knows that his or her co-ownership is disputed when another co-author denies the former's co-ownership of the copyright, the disputed co-author will be time-barred, three years after the dispute over authorship arose, from seeking a declaration of copyright co-ownership rights and any remedies that flow from such a declaration. *Id.* at 56 (citing *Zuill*, 80 F.3d at 1369). Thus, to the extent there ever was a conflict between the Ninth Circuit and Second Circuit on this issue – and there was not – the *Merchant* case makes it clear that it no longer exists. Both the Ninth and the Second Circuits correctly apply the three-year-statute of limitations to claims for copyright co-ownership that are based on joint authorship.

Indeed, the Ninth and Second Circuits' conclusion that § 507 bars claims for declaratory relief brought more than three years after the claims accrued is *required* by the plain language of this statute. The language of § 507 could not be clearer: "No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued." 17 U.S.C. § 507(b). There can be no doubt that a claim for a declaration of co-ownership of a copyright is a civil action brought under the provisions of title 17 of the United States Code, *i.e.*, the Copyright Act. Therefore, under the plain language of § 507, any claim for a declaration of co-ownership must be brought within three years from the time the claim accrued. And, as the Ninth Circuit found

in the instant case (and the Second Circuit found in *Merchant*) "claims of co-ownership, as distinct from claims of infringement, accrue when plain and express repudiation of co-ownership is communicated to the claimant." *Zuill*, 80 F.3d at 1369. *See also Merchant*, 92 F.3d at 56 ("A cause of action accrues when a plaintiff knows or has reason to know of the injury upon which the claim is premised."). Thus, the language of the statute requires that claims for a declaration of co-ownership be brought within three years of the repudiation of that co-ownership.

This interpretation of § 507 is not only the only reasonable interpretation of the statute's language, but it also promotes the policy of both statutes of limitation in general and copyright law. This Court has long recognized the goal of certainty and repose promoted by statutes of limitation:

> Statutes of limitations . . . represent a pervasive legislative judgment that it is unjust to fail to put the adversary on notice to defend within a specified period of time and that 'the right to be free of stale claims in time comes to prevail over the right to prosecute them.' These enactments are statutes of repose, and although affording plaintiffs what the legislature deems a reasonable time to present their claims, they protect defendants and the courts from having to deal with cases in which the search for truth may be seriously impaired by the loss of evidence, whether by death or disappearance of witnesses, fading memories, disappearance of documents, or otherwise.

United States v. Kubrick, 444 U.S. 111, 117, 100 S. Ct. 352, 62 L. Ed. 2d 259 (1979) (*citation omitted*). As this Court explained in two recent cases, predictability and certainty of copyright ownership are also paramount goals of copyright law. *See Fogerty v. Fantasy, Inc.*, ___ U.S. ___, 114 S. Ct. 1023, 1030 (1994); *Community For Non-Violence v. Reed*, ___ U.S. ___, 109 S. Ct. 2166, 2177 (1989).

The goal of certainty is particularly important in the context of disputed copyright co-ownership. Since the alleged co-owner must establish that the creators of the copyrighted work intended to be joint authors of a collaborative work, 17 U.S.C. § 101; *Erickson v. Trinity Theatre, Inc.*, 13 F.3d 1061, 1068-71 (7th Cir. 1994); *Childress v. Taylor*, 945 F.2d 500, 505-09 (2d Cir. 1991), and since the alleged co-owner must also show that he or she made an independently copyrightable contribution to the alleged joint work, *Ashton-Tate Corp. v. Ross*, 916 F.2d 516, 520-21 (9th Cir. 1990), the memories and credibility of the purported creators of the copyrighted work are essential to a determination of co-ownership. If § 507 did not apply to a claim for co-ownership, an alleged co-owner could wait until the registered owner of the copyright dies or his or her memory is impaired before bringing a claim asserting co-ownership. Petitioners' interpretation of § 507 not only invites fraud and abuse, and therefore uncertainty as to the ownership of the copyright, but, since copyrights inure to the author or authors for the life of the author plus fifty years, 17 U.S.C. § 302(a), this uncertainty over authorship also invites uncertainty as to the duration of the copyright.

In short, the Ninth and Second Circuits' interpretation of § 507 of the Copyright Act – barring *all* civil

actions, including actions for declaratory relief, brought more than three years after the discovery that ownership is disputed – is the only reasonable interpretation of this statute. Given the lack of conflict between the Courts of Appeal on this issue, this Court should decline to exercise its discretion to review this case.

II. This Case Does Not Present Any Important Federal Issue Requiring The Attention Of This Court.

In addition to their assertion of a conflict between the Courts of Appeal regarding the interpretation of § 507 – a conflict that no longer exists, if it ever did – Petitioners argue that the Ninth Circuit violated constitutional law by (1) applying the doctrine of adverse possession to copyright law, and (2) finding that § 507 extinguishes Petitioners' rights rather than affecting their remedy only. Petitioners misconstrue both the nature of their claim and the court's holding.

An examination of the Ninth Circuit's discussion in *Zuill* regarding adverse possession reveals that, contrary to Petitioners' assertion, the court did not make adverse possession part of copyright law. Rather, the court merely noted there is some similarity between copyright co-ownership and tenancy in common in real property in that, in each case, the statute of limitations for bringing an action to determine ownership and account for profits earned on the property starts to run when "an unequivocal act of ownership" is taken by the defendant. *Zuill*, 80 F.3d at 1370. There is nothing extraordinary in this observation.

Petitioners' assertion that the Ninth Circuit's decision terminates copyright ownership, and thus violates the "constitutional principle" that statutes of limitations bar remedies rather than extinguish rights, reflects a misunderstanding of the nature of their claim and the role of statutes of limitation generally. As discussed above, to establish joint authorship and co-ownership, Petitioners must show that they both contributed original copyrightable material to the product and that they and Mr. Shanahan intended to be joint authors of a joint work. By informing Petitioners that he (or his assignee) was the sole owner of the copyright for the product and by registering the copyright in his or his company's name, Mr. Shanahan impliedly (if not expressly) asserted that the parties did not intend to be joint authors of a joint work.

To the extent Petitioners assert that Mr. Shanahan improperly asserted sole ownership, it was the assertion itself and the act of registering the copyright – and not the operation of the statute of limitations – that purportedly "divested" Petitioners of their ownership rights. The statute of limitations did nothing more than preclude Petitioners from seeking a remedy for the alleged violation of their ownership rights.

CONCLUSION

Precluding the assertion of late claims of ownership, when ownership was expressly repudiated, is not only the proper interpretation of § 507, it is the equitable result. As noted by the Ninth Circuit, "[i]t is inequitable to allow the putative co-owner to lie in the weeds for

years after his claim has been repudiated, while large amounts of money are spent developing a market for the copyrighted material, and then pounce on the prize after it has been brought in by another's effort. 'Delay under such circumstances allows the [putative] owner to speculate without risk with the other's money.' " *Zuill*, 80 F.3d at 1370-71 (quoting *Haas v. Leo Feist, Inc.*, 234 F. 105, 108 (S.D.N.Y. 1916) (Learned Hand, J.)). In the present case, that is exactly what Petitioners ask this Court to allow them to do. The Ninth Circuit's decision – and the district court's determination before that – correctly precluded Petitioners from speculating with Mr. Shanahan's and Gateway's money by waiting to see if Mr. Shanahan and Gateway could make "Hooked on Phonics" into a success before asserting their co-ownership claim. This Court should not change that result. The Petition for Writ of Certiorari should be denied.

Respectfully submitted,

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